

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 29 day of October, 2001, between Central Pacific Mortgage Corporation, its owners, successors, subsidiaries, affiliates and assigns ("Central Pacific"), and the United States Department of Housing and Urban Development ("HUD"), together herein referred to as "the Parties."

Whereas, Section 8(b) of the Real Estate Settlement Procedures Act of 1974 ("RESPA"), 12 USC 2607(b) states that "[n]o person shall give and no person shall accept any portion, split, or percentage of any charge made or received for the rendering of a real estate settlement service in connection with a transaction involving a federally related mortgage loan other than for services actually performed.";

Whereas, that based on an initial survey and review of settlement documents of 21 selected offices of Central Pacific, HUD has determined that overcharges occurred within many offices of Central Pacific during the period 1998-2001, wherein consumers were charged more for credit reports (which were required for loan qualification) than the cost that had been charged to Central Pacific by the provider of the credit reports; but that there was no pattern or practice of overcharges of settlement service fees, and it was determined that there were many instances where fees charged to consumers by Central Pacific were for lower amounts than those charged to Central Pacific by the service providers;

Whereas, through investigation and analysis it has been calculated that approximately \$92,900.00 in credit report overcharges occurred during the subject time period as the aggregate cost to consumers as a result of these overcharges, of which \$7,900.00 has already been refunded;

Whereas, Central Pacific has cooperated with HUD and fully complied with requests made by HUD during the investigation through substantial staff time and effort;

Whereas, pursuant to this investigation, HUD has determined that Central Pacific has violated Section 8(b) of RESPA in the instances when overcharges occurred;

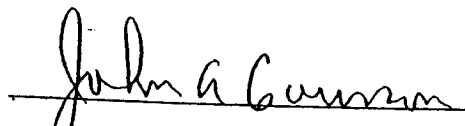
Whereas, the Parties agree that entering into this Settlement Agreement does not constitute an admission of liability or wrongdoing by Central Pacific and that the Parties are entering into this Settlement Agreement as resolution of all claims regarding the RESPA violations noted herein arising from HUD's investigation; and

Whereas, the Parties desire to avoid further expense and proceedings and to reach a mutually satisfactory resolution of this matter by entering into this Settlement Agreement.

Now therefore, based on the truthfulness and accuracy of the information provided by Central Pacific to HUD in furtherance of the instant investigation, the Parties herein state the terms of this Settlement Agreement as follows:

1. Central Pacific shall comply with all provisions of RESPA and the implementing regulations of RESPA;
2. Central Pacific represents and warrants that, prior to the date hereof, it has instituted systems to avoid charging borrowers more for settlement services provided by third parties during the real estate settlement process than the amount charged by the third party, including but not limited to, charges for credit reports beyond its own cost, and that such processes shall remain in effect;
3. Within ten (10) business days of the effective date of this Settlement Agreement Central Pacific shall remit \$50,000.00 (fifty-thousand dollars) to the United States Treasury, in full and final payment to resolve this matter with HUD, and Central Pacific shall maintain a separate sum of a minimum \$35,000.00 which is to be applied to consumer refund payments through administrative process with the State of California; and, after all refunds are remitted to consumers through the California administrative process, should a remainder of funds exist, such remainder shall be contributed to a HUD-approved, not-for-profit housing counseling and consumer education organization in California, and HUD shall be advised of this contribution immediately;
4. HUD shall close the instant investigation into this credit report overcharge issue for the period 1998-2001, which was the subject of the investigation, and take no further action against Central Pacific based on the facts of the investigation, in exchange for Central Pacific's compliance with paragraphs (1), (2) and (3) above;
5. The Parties shall bear their own costs and fees associated with and arising from the instant matter;
6. This Settlement Agreement shall become effective upon execution by all parties.


For Central Pacific Mortgage Corporation



Name: John A. Courson

Title: President / CEO

For the U.S. Department of
Housing and Urban
Development



Name: John C. Weicher

Title: Assistant Secretary for Housing
Federal Housing Commissioner